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## Rhode Island issues general obligation bonds

In a related matter, three large ratings agencies are maintaining their bond rating after studying the state's credit situation.

JOURNAL STAFF REPORT

PROVIDENCE — The state of Rhode Island yesterday awarded Praeger Sealey \$123.2 million in Series A tax exempt bonds as part of the sale of \$131.7 million in general obligation bonds. Praeger Sealey, the lowest of 10 bidders, got the

issue at a true interest cost of 4.63 percent.

Citigroup had the lowest of eight bids for the \$8.5 million in Series B taxable bonds. Citigroup's winning bid came in at 5.28 percent.

In addition, General Treasurer Frank Caprio said three ratings agencies examined the state's credit situation and maintained their bond rating while preserving the state's stable outlook for the future. Two of the three agencies, Fitch Ratings and Standard & Poor's, again

gave the state's general obligation debt a rating of AA, while Moody's Investors Service once again assigned an Aa3 rating. All three affirmed stable outlooks in profiling the state's long-term financial standing.

"The ratings agencies recognized several areas of credit strength for Rhode Island while noting challenges moving forward. After a tough budget cycle, I'm grateful that we have pre-



## Bonds

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served the state's bond rating and I look forward to working with the governor's office and the legislature to make sure we secure the state's financial position going forward," Caprio said.

The state issues general obligation bonds on an annual basis. This year, the funds have been targeted to support transportation projects and affordable housing, as well as education and environmental programs.

Among the state's credit strengths cited by the agencies were: continued economic growth and diversification; effective fiscal management; a budget reserve fund maintained at statutory cap levels; and average wealth indicators and slower than average but stable employment trends.

The rating agencies did raise some issues of concern.

The Standard & Poor's report noted that, "While the outlook remains stable, Rhode Island's use of one-shot revenues to balance operations is growing. The state needs to make measurable progress in better balancing recurring revenues to expenditures; fail-

ure to address this concern will pressure the rating."

Fitch Ratings said, "The state's financial position is strained, reflecting weakness in certain key revenue sources...Additional stress or failure to achieve spending restraint goals could result in downward rating pressure."

Moody's observed that, "This is the second time in six years that Rhode Island has resorted to deficit bonds to resolve its budget imbalance, underscoring the state's continuing financial strain at a time when most states are moving toward structurally balanced budgets."